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BEFORE THE ARIZONA CORPORATION COMMISSION 4: 08

MARC SPITZER

Chairman

JAMES M. IRVIN

Commissioner

WILLIAM MUNDELL

Commissioner

JEFF HATCH-MILLER

Commissioner

MIKE GLEASON

Commissioner

Arizona Corporation Commission

DOCKETED

APR 18 2003

DOCKETED BY

AZ CORP COMMISSION  
DOCUMENT CONTROL

IN THE MATTER OF QWEST  
COMMUNICATIONS INTERNATIONAL  
INC.'S, QWEST SERVICES  
CORPORATION'S, AND QWEST  
CORPORATION'S NOTICE OF SALE,  
REQUEST FOR WAIVER, OR  
APPLICATION FOR APPROVAL OF THE  
SALE OF THE ARIZONA OPERATIONS OF  
QWEST DEX, INC.

DOCKET No. T-01051B-02-0666

**JOINT NOTICE OF FILING  
SETTLEMENT AGREEMENT AND  
MOTION FOR PROCEDURAL ORDER**

The Arizona Corporation Commission Staff ("Staff") and Qwest Corporation, Qwest Services Corporation and Qwest Communications International (collectively "Qwest") hereby file their Stipulation dated April 10, 2003 providing for the settlement of this docket between those parties and request that the Administrative Law Judge set a procedural schedule for a hearing on this settlement incorporating the schedule set forth in this Notice and Motion.

Staff and Qwest have engaged in negotiations to reach a settlement of this docket culminating in an agreement dated April 10, 2003. Qwest and Staff provided the Stipulation to the Residential Utility Consumer Office ("RUCO") and the Department of Defense/Federal Executive Agencies ("DOD") on April 10, 2003. (RUCO had been informed of the terms of the settlement in late March when Staff and Qwest reached an agreement in principle). Neither RUCO nor DOD has informed Qwest and Staff whether they will join in the Stipulation. A copy of the Stipulation has been provided to the Buyer and was faxed to WorldCom on April 17, 2003.

1 Staff and Qwest believe that the Settlement represents a fair compromise and resolution of  
2 the issues raised in this docket and believe that the next appropriate procedural step is the setting  
3 of a hearing before the Administrative Law Judge concerning whether the Stipulation should be  
4 accepted by the Commission. Staff and Qwest propose the following schedule for that hearing:

|                  |   |
|------------------|---|
| 5 April 28, 2003 | Parties Supporting Stipulation File Testimony |
| 6 May 2, 2003    | Parties Opposing Stipulation File Testimony   |
| 7 May 6, 2003    | Hearing on Stipulation                        |

8 This proposed schedule will permit the parties to file testimony prior to the hearing.  
9 Further the hearing will be held on the date that has already been noticed to the public for the date  
10 of this hearing. The use of this schedule also avoids the need to postpone this proceeding until  
11 June because it is Staff's and Qwest's understanding that DOD's witness does not leave the  
12 country or become unavailable until May 19, 2003. Because the scope of the hearing will be  
13 limited to the Stipulation, the parties will have adequate time to prepare for that hearing .

14 DATED this 18<sup>th</sup> day of April, 2003.

15 ARIZONA CORPORATION COMMISSION

16 By Christopher C. Kempley  
17 Christopher Kempley  
18 Maureen Scott  
1200 West Washington  
Phoenix, AZ 85007  
Attorneys for ACC Staff

19 FENNEMORE CRAIG

20 By Timothy Berg  
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22 Theresa Dwyer  
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Phoenix, AZ 85012-2913

23 Mark E. Brown  
24 QWEST CORPORATION  
4041 N. Central, #1100  
25 Phoenix, AZ

26 Attorneys for Qwest Corporation

1 **ORIGINAL** and **13 COPIES** filed  
this 18<sup>th</sup> day of April, 2003, with:  
2  
3 Docket Control  
4 ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, AZ 85007  
5 **COPY** hand-delivered  
this 18<sup>th</sup> day of April, 2003, to:  
6  
7 Jane Rodda, Administrative Law Judge  
Hearing Division  
8 ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007  
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10 Christopher Kempley, Chief Counsel  
Legal Division  
11 ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007  
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13 Ernest G. Johnson  
Director, Utilities Division  
14 ARIZONA CORPORATION COMMISSION  
1200 West Washington  
Phoenix, Arizona 85007  
15  
16 **COPY** mailed this 18<sup>th</sup> day of April, 2003, to:  
17 Daniel Pozefsky  
RUCO  
18 1110 West Washington, Suite 220  
Phoenix, AZ 85007  
19  
20 Thomas F. Dixon  
WorldCom, Inc.  
707 17<sup>th</sup> Street, 39<sup>th</sup> Floor  
21 Dever, CO 80202  
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23 Thomas H. Campbell  
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Regulatory Law Office  
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10 Richard R. Cameron  
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**BEFORE THE ARIZONA CORPORATION COMMISSION**

MARC SPITZER  
Chairman  
JAMES M. IRVIN  
Commissioner  
WILLIAM MUNDELL  
Commissioner  
JEFF HATCH-MILLER  
Commissioner  
MIKE GLEASON  
Commissioner

IN THE MATTER OF QWEST  
COMMUNICATIONS INTERNATIONAL  
INC.'S, QWEST SERVICES  
CORPORATION'S, AND QWEST  
CORPORATION'S NOTICE OF SALE,  
REQUEST FOR WAIVER, OR  
APPLICATION FOR APPROVAL OF THE  
SALE OF THE ARIZONA OPERATIONS OF  
QWEST DEX, INC.

DOCKET No. T-01051B-02-0666  
**STIPULATION**

Qwest Corporation ("Qwest") and the Staff of the Arizona Corporation Commission ("Staff") collectively the "Parties" and individually a "Party," stipulate as follows:

1. On August 19, 2002, Qwest Communications International Inc., together with Qwest Services Corporation and Qwest Dex, Inc. ("Dex"), entered into two agreements to sell Dex's directory publishing business to Dex Holdings, LLC ("Buyer"), an unaffiliated third party. The Rodney Purchase Agreement, the purchase agreement covering the proposed sale of Dex's Arizona assets and operations, is more fully described in Qwest's Application in this matter. By this Stipulation the Parties agree that the sale to Buyer of Dex, including without limitation the sale of the Arizona assets and operations of Dex in accordance with the terms of the Rodney Purchase Agreement pertaining to Arizona, (collectively the "Sale"), and in accordance with the terms and conditions of this Stipulation, is in the public interest and should be approved by the Arizona Corporation Commission (the "Commission") in an order (the "Order") without

1 conditions other than those set forth in this Stipulation.

2       2. This Stipulation, if approved by the Commission, is intended to supersede that  
3 certain Settlement Agreement dated May, 27, 1988 between The Mountain States Telephone and  
4 Telegraph Company (Qwest's predecessor) and the Commission Staff, as approved in ACC  
5 Decision No. 56020, dated June 13, 1988, which provided, among other things, for \$43 million of  
6 annual imputed directory revenues. This Stipulation increases that amount by \$29 million, to \$72  
7 million annually.

8       3. Contingent on: (1) the Commission approving and adopting this Stipulation;  
9 (2) the Commission approving Qwest's Application for transfer of the Dex assets in this matter;  
10 and (3) the Sale being completed, Staff and Qwest agree that, in the event of a Qwest [hereinafter  
11 "Qwest" includes any Qwest Corporation successor] rate case, earnings or Price Cap review or  
12 other rate proceeding commenced at any time within the 15-year period defined below, the  
13 amount of annual directory revenues imputed to Qwest and included in determining Qwest's test  
14 year operating income shall be \$72,000,000 (SEVENTY TWO MILLION DOLLARS). The  
15 15-year period shall begin on the date when Qwest submits its first Price Cap Plan review filing  
16 pursuant to the Settlement Agreement in Docket No. T-0105B-99-0105 and paragraph 6(b) of  
17 Attachment A of the Price Cap Plan, as approved in Decision No. 63487. To illustrate, if Qwest  
18 makes its first Price Cap Plan review filing as anticipated on July 1, 2003, the 15-year period  
19 would begin on July 1, 2003, and end on July 1, 2018. In that event, in any Qwest rate case,  
20 earnings or Price Cap review or other rate proceeding commenced between July 1, 2003 and  
21 July 1, 2018, the amount of annual directory revenues imputed to Qwest in determining Qwest's  
22 test year operating income would be \$72,000,000 (SEVENTY TWO MILLION DOLLARS), and  
23 any such filing would reflect this imputation amount. Any Basket Price Cap adjustments, Index  
24 Adjustments, and/or individual rate adjustments resulting from this Stipulation and the review,  
25 modification or renewal of the Price Plan pursuant to paragraph 6 of the Plan shall be subject to  
26 modification and approval by the Commission. In addition, this Stipulated \$72,000,000

1 (SEVENTY TWO MILLION DOLLARS) directory revenue imputation value shall be included  
2 within all reporting to the Commission of Qwest's Arizona intrastate earnings or intrastate rate of  
3 return during the 15-year period defined above. No party to this Stipulation shall advocate, or  
4 make any arguments in any rate case or earnings or Price Cap review or other rate proceeding  
5 within this 15-year period that this amount be increased or decreased.

6 4. As described in Paragraph 3 above, the increase in the imputation from its current  
7 level of \$43,000,000 (FORTY THREE MILLION DOLLARS) TO \$72,000,000 (SEVENTY  
8 TWO MILLION DOLLARS) is contingent on (1) the Commission approving and adopting this  
9 Stipulation; (2) the Commission approving Qwest's Application for transfer of the Dex assets in  
10 this matter; and (3) the Sale being completed. So long as these contingencies have been satisfied,  
11 or remain open, at the time Qwest makes its first Price Cap Plan review filing pursuant to  
12 paragraph 6(b) of Attachment A, that filing shall include the \$72,000,000 (SEVENTY TWO  
13 MILLION DOLLAR) imputation amount. In the event that Qwest makes its first Price Cap Plan  
14 review filing reflecting the \$72,000,000 (SEVENTY TWO MILLION DOLLAR) imputation  
15 amount, and subsequently one or more of these contingencies is not satisfied (e.g., the  
16 Commission does not approve and adopt this Stipulation, the Commission does not approve the  
17 Application for transfer of the Dex assets in this Matter, or the Sale does not Close), then Qwest  
18 shall make a revised filing pursuant to paragraph 6(b) of the Price Cap Plan, consistent with the  
19 1988 Settlement Agreement. In order to satisfy the three contingencies set forth above, the  
20 Commission Order approving and adopting this Stipulation and approving Qwest's Application  
21 for transfer of the Dex assets in this Matter must be issued no later than September 30, 2003; and  
22 the Sale must be completed by December 31, 2003. Any Order of the Commission approving and  
23 adopting this Stipulation and approving Qwest's Application for transfer of the Dex assets in this  
24 Matter may require, as a condition of approval, that the Sale be completed by December 31, 2003.

25 5. The parties intend and agree that the practice of imputing directory revenues to  
26 Qwest in rate cases or other rate proceedings shall cease for any proceedings which commence

1 after the end of this previously-defined 15-year period.

2 6. Except as specifically provided in this Stipulation, no Party shall advocate or  
3 otherwise argue in this docket, or in any future matter or docket, that customers of Qwest are  
4 entitled to any other compensation or any other benefit arising out of or connected in anyway  
5 with the current directory publishing operations of Dex or the Sale. This Stipulation is intended  
6 only to address the financial issues related to this transaction and nothing contained in this  
7 Stipulation is intended to, or shall result in any change to the provision of listings and directories  
8 of listings to customers of Qwest or to Commission Rules and Regulations regarding same.  
9 Qwest also agrees to continue to insert any specific language and rates in its directories, including  
10 information in languages other than English where previously required by the Commission.

11 7. This Stipulation is a compromise of disputed claims and positions. By entering  
12 into this Stipulation, Qwest shall not be deemed to have waived any of its positions on any issue  
13 related to the Sale in any state other than Arizona and as specifically provided herein.

14 8. Except to the extent expressly stated in this Stipulation, nothing in this Stipulation  
15 or in the Order shall be: (a) cited or construed as precedent for or indicative of a Party's position  
16 on an issue resolved pursuant to this Stipulation; or (b) asserted or construed to mean that a Party  
17 has agreed with, acknowledged the validity of or adopted another Party's legal or factual  
18 assertions in this or any other proceeding, including those before the Commission, the state courts  
19 of Arizona or of any other state, the federal courts of the United States, or the Federal  
20 Communications Commission. This Stipulation shall not be used by any Party in any other  
21 proceeding, by way of illustration or as evidence in support of its advocacy, provided that any  
22 Party may comply with appropriate legal process. The limitation in this paragraph shall not apply  
23 to any proceeding to enforce the terms of this Stipulation or Order.

24 9. Each of the Parties reserves the right to withdraw from and decline to support this  
25 Stipulation and the right to advocate or support positions different than those set forth in this  
26 Stipulation in the event the Commission rejects all or any material portion of the Stipulation or



1 requires any different or additional material conditions to the Sale other than as provided in this  
2 Stipulation. If any Party withdraws from or declines to support this Stipulation as permitted  
3 herein, this Stipulation shall be deemed null and void as to all Parties, no Party shall be bound or  
4 prejudiced by the terms of this Stipulation, and each Party shall be entitled to seek reconsideration  
5 of the Commission's decision making such material changes to this Stipulation and take such  
6 other steps as it deems appropriate.

7 10. The Parties acknowledge that this Stipulation is the product of negotiation and  
8 compromise and that no term or provision of this Stipulation shall be construed against or in favor  
9 of any Party on the basis that a particular Party was the drafter of any or all of this Stipulation.

10 11. This Stipulation constitutes the Parties' entire agreement on all matters set forth  
11 herein and supersedes any and all prior oral and written understandings or agreements on such  
12 matters that previously existed or occurred in this proceeding. No such prior understanding or  
13 agreement or related representation shall be relied upon by any of the Parties.

14 12. Each Party shall take all actions necessary and appropriate to enable it to carry out  
15 this Stipulation, including, supporting the approval by the Commission of the Stipulation and not  
16 supporting, directly or indirectly, any petition for review, rehearing or reconsideration of the  
17 Order or any appeal of or challenge to the Order. No Party shall take any position in this docket  
18 that is inconsistent in any manner with any term or provision of this Stipulation.

1 DATED this 10<sup>th</sup> day of April, 2003.

2 FENNEMORE CRAIG

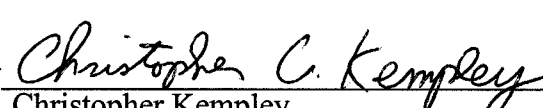
3  
4 By   
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17 *Attorneys for Qwest Corporation*

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19 By   
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21 Maureen Scott  
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23 Phoenix, AZ 85007  
24 *Attorneys for ACC Staff*

25 **ORIGINAL and 13 COPIES** filed  
26 this \_\_\_\_ day of April, 2003, with:

Docket Control  
ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, AZ 85007

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2  
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Hearing Division  
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Phoenix, Arizona 85007  
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